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Sweden's Agricultural Policy

Marshall H. Cohen

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All photographs were taken by Marshall H. Cohen. The cover photo shows the public square by Sweden's new Parliament building in downtown Stockholm.

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Abstract

Sweden's most recent farm bills (for 1981–82 and 1982–84) were designed to discourage surpluses of livestock products (which incur expensive export subsidies), to cut back sharply on consumer food subsidies and farmer compensation programs, and to modify the levies on livestock and dairy imports, making the levies more responsive to rapidly changing market conditions. The U.S. share of Swedish imports should remain at about its current level (9 percent in 1981). The chief U.S. exports are fruits, vegetables, nuts, and tobacco, which are relatively unaffected by Swedish import levies, and grains.

Keywords: Sweden, farm policy, U.S. exports, import levies.

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Preface

This report provides an overview of complex agricultural policy developments in Sweden—information frequently requested by U.S. businesses, government officials, and researchers since there is a paucity of material in English on this subject. Information related to the history and development of Swedish agricultural policy should be of considerable interest to policymakers in the United States and of value to U.S. exporters to Sweden. The report will help others to note the parallels between Swedish agricultural policy and policies in the United States and the European Economic Community and the linkages between Sweden's system of income protection and import barriers. Technical similarities between Swedish and U.S. agricultural policies further enliven an interest in this topic. For example, the Swedish PM index, a measure of changes in farm input costs, is similar to the U.S. parity index, a longstanding measure of the purchasing power of farm products. This study updates *New Directions in Swedish Agricultural Policy*, FAER–104, by Marshall H. Cohen (U.S. Dept. of Agriculture, April 1975).

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Contents

Notes

The Swedish Krona (SKr) is Sweden's unit of currency (Kronor, plural). The exchange rate in 1980 was 4.22 SKr = 1 U.S. dollar; in 1981–82, 5.5 SKr = 1 U.S. dollar.

This report uses metric units of measurement:

1 kilogram (kg) = 2.2046 pounds.
1 metric ton (MT) = 2,204.6 pounds.
1 liter = 1.0567 liquid quarts.
1 hectare (ha) = 2.471 acres.

Summary

Sweden's agricultural policies have allowed the nation to become nearly self-sufficient in farm products, thus obviating the need for large amounts of imports. Nevertheless, the United States shipped $187 million worth of agricultural products to Sweden in 1981 and should be able to maintain its market shares in those commodities in the coming years, despite more intense foreign competition.

Nearly three-fourths of the value of the U.S. exports to Sweden in 1981 was accounted for by fruits, vegetables, nuts, grains, and tobacco. Sweden imposes no major trade barriers on fruits, vegetables, and tobacco, although other agricultural imports are subject to levies. Tobacco seems particularly vulnerable to foreign competition. Although the United States supplies 70 percent of Sweden's unmanufactured tobacco, the consumer market seems to be shrinking; U.S. tobacco exports to Sweden in 1981 were nearly a third lower than in 1978. In addition, tobacco grown in Brazil, Zimbabwe, and Malawi now conform to Swedish requirements.

The United States normally accounts for over 90 percent of Sweden's corn imports and over half of its rice imports. Despite the large U.S. market shares in these two grains, the volumes involved are relatively small: 46,000 metric tons of corn (worth $9 million) in 1980 and 13,000 metric tons of rice (worth $10 million).

High inflation, balance of payments deficits, and rising interest rates have compelled Sweden to cut back several agricultural programs in its recent farm bills. Sweden will discourage surplus production of livestock products (which has caused expensive export subsidies in the past few years), reduce consumer subsidies for a wide range of foods, reduce farmer compensation from earlier levels, and modify the levies (tariffs) for livestock and dairy imports. Such cutbacks are likely to characterize Swedish agricultural policies for the next several years due to the need to adjust production and maintain domestic price stability.

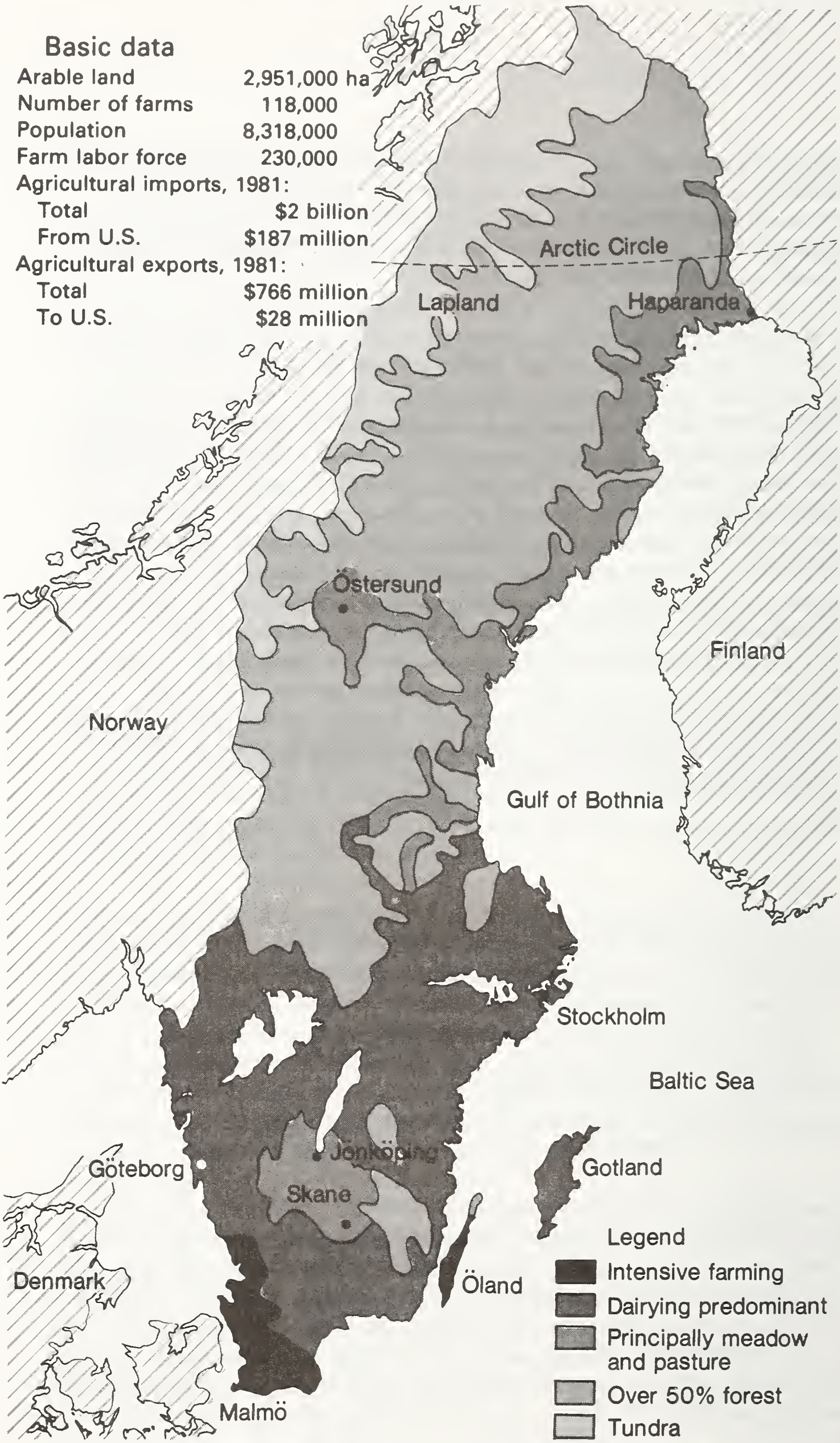
Sweden's farm policies basically encourage family-size enterprises (most farms are about 25 hectares—60 acres) to produce just enough foodstuffs to supply the nation's needs, while keeping farm and nonfarm incomes roughly comparable. Exports are not a major goal of the farm policies, although in the past few years, Sweden has been able to export up to 1 million metric tons of surplus grain per year and 55,000 metric tons of surplus beef and pork (in 1981). Although attempting to discourage beef and pork exports, the Swedish Government will likely continue to tolerate

large grain surpluses, due to profitable commercial export markets and demand from international aid programs. Furthermore, Sweden will continue to aim at keeping 2.9 million hectares (7.2 million acres) of arable land in production as part of its goal of maintaining high rates of self-sufficiency in foodstuffs.

To keep its farm income high, Sweden does impose a complex system of levies on most imports of grains and livestock products—commodities that are produced in surplus in Sweden. But with the need to cut costs in agricultural support programs and to maintain domestic price stability, recent farm bills modified the import levies to adjust them more frequently to actual market situations. The levies work by raising the prices of imported products to the Swedish domestic price. As long as Swedish domestic prices remain within a prespecified range, the levy is a constant share of the domestic price. The recent modification of the levies now applies to beef, pork, broilers, eggs, butter, and cheese, although it may be expanded to include other products later. In modifying the levy, the Government made the price range narrower and created buffer zones near the upper and lower limits of the price range. Once domestic prices reach these buffer zones, the levy can be changed almost instantaneously to reflect market conditions. Under the earlier levy system, the levies were normally adjusted only twice a year.

Figure 1

Sweden's Principal Land Use



Sweden's Agricultural Policy

Marshall H. Cohen

Introduction

Sweden's most recent farm programs cut back on government subsidies to farmers and consumers in response to high inflation, balance of payments deficits, and high interest rates. Sweden also changed its import levies to make them more adaptable to changes in market conditions. Neither the cutbacks in subsidies nor the modified levies should directly affect the Swedish market for U.S. agricultural products; most U.S. food exports to Sweden can be imported duty free. Therefore, the United States should be able to maintain its market share in the coming years of a little more than 9 percent of total Swedish agricultural imports.

The typical Swedish farm is a relatively small, family-owned unit of about 25 hectares of arable land although most farmers own some forest land as well. Only about 5.5 percent of the active labor force is in agriculture (compared with 3.6 percent in the United States). That proportion is down sharply since the turn of the century as Sweden transformed itself from an agricultural to an industrial country. Farmers own about 25 percent of the forest land, and in some regions income from forestry accounts for one-third of total farm income. Despite the relatively small percentage of the labor force in agriculture, and agriculture's (including forestry) small contribution—only 3.5 percent—to Gross Domestic Product, the performance of Swedish agriculture has been exemplary. For example, Sweden is almost self-sufficient in farm products—virtually 100-percent self-sufficient in meat and dairy products, and normally produces large grain surpluses, a development that has been encouraged by relatively high producer prices and import tariffs. In normal years, Sweden exports about 1 million metric tons of grain. Despite Sweden's northerly location, Swedish farmers obtain extremely high grain yields and production due to a combination of hearty varieties, heavy applications of fertilizer, and highly progressive soil husbandry practices (table 1).

Crop conditions vary considerably throughout Sweden, but the highest producing areas are in the central and southern regions. The growing period in the major producing regions is 240 days, while in the north, the growing period is approximately 130 days. Long summer days compensate somewhat for the relatively short growing season.

Sweden is also a net exporter of rapeseed oils, and in certain periods, dairy products, beef, and pork. An important feature of current agricultural policy is to reduce surpluses of animal products like beef and pork. Sweden imports most of its protein feedstuffs, largely soybean meal, as well as considerable quantities of fruits and vegetables, vegetable oils, and tropical products.

Dairy products and meat are the major sources of income in agriculture, accounting for about 75 percent of total sales and explaining the political importance of these sectors in the policy formation process. Also, consumption of dairy products is relatively high in Sweden, where cheese is

Table 1—Basic data on Swedish agricultural production

Item	Unit	1970	1975	1980	1981
Wheat:					
Area	1,000 ha	265	303	288	224
Production	1,000 metric tons	962	1,455	1,293	1,066
Coarse grains:					
Area	1,000 ha	1,195	1,315	1,221	1,271
Production	1,000 metric tons	3,798	3,710	4,121	4,650
Total grain:					
Area	1,000 ha	1,490	1,618	1,509	1,495
Production	1,000 metric tons	4,987	5,165	5,314	5,716
Oilseeds:					
Area	1,000 ha	105	163	184	176
Production	1,000 metric tons	211	329	285	323
Sugarbeets:					
Area	1,000 ha	40	52	52	53
Production	1,000 metric tons	1,560	1,992	2,258	2,484
Potatoes:					
Area	1,000 ha	59	47	42	41
Production	1,000 metric tons	1,490	837	1,211	1,082
Meat:					
Beef and veal	1,000 metric tons	175	149	156	157
Pork	do.	228	282	315	318
Horsemeat	do.	7	2	3	3
Mutton and Lamb	do.	3	5	5	5
Total meat	do.	413	438	479	483
Dairy, poultry, and eggs:					
Milk	do.	1,516	3,168	3,465	3,493
Butter	do.	42	42	66	63
Cheese	do.	60	81	101	108
Poultry meat	do.	28	37	42	42
Eggs	do.	100	111	105	105

a major source of protein and a meat substitute. Southern Sweden (Skåne) is the main producing region for oilseeds, grain, sugarbeets, fruits, and vegetables. Dairying is more important in the north. There has been growing specialization of production in Sweden, with hog, poultry, and egg production concentrated mainly on units that are large by Swedish standards, but are nevertheless generally family-owned enterprises.

There were about 1.9 million head of cattle in Sweden (June 1981), largely the Swedish Red and White Breed and the Swedish Frisian Breed. Average herd size is about 28 head of cattle. Hogs numbered 2.6 million (June 1981) and are dominated by the Swedish Landrace and the Yorkshire breeds. Average pig herds total about 80 animals, although the number of large units has increased in recent years. Poultry inventories totaled 8.2 million birds in 1981, and production is mainly concentrated on a few very large, specialized units of several thousand birds. The sheep herd is small in Sweden (402,000 animals in June 1981), and sheep raising is an alternative to beef production on many farms. There are an estimated 200,000 head of commercially herded reindeer in Sweden, entirely in the far north (Lapland).

Nearly all of Sweden's farmers are members of one or more producer cooperative associations which process and market their products, as well as supply credit and capital. The cooperatives will continue to play a major role in agricultural marketing in Sweden, although there are a few private market organizations. Consumer cooperatives (Kooperative Förbundet or KF) also play an important role in food marketing and processing in Sweden.

Sweden energetically investigated the relationships between diet and health during the seventies, and the Swedish National Food Administration and the retail cooperatives published extensive scientific and advisory materials on these subjects. However, Sweden does not have a formal or comprehensive food and nutrition policy that affects agriculture per se.

At this writing, Norway is the only country in Western Europe with a comprehensive nutrition and food policy that attempts to apply traditional price and subsidy policy in order to influence the composition of the diet (*2*).[1] However, the Swedish National Food Administration frequently encourages dietary improvement via recommendations. The most recent recommendations were published by the Swedish National Food Administration in 1981, *Swedish Nutrition Recommendations (13)*, and are

[1] *Italicized numbers in parentheses refer to sources cited in the Bibliography at the end of this report.*

Sweden tries to maintain productive farmland in urban areas. The highly efficient family-owned enterprises pictured here are in the heavily urbanized area around Uppsala.

consistent with the conclusions published in the joint report published by the U.S. Department of Agriculture and the U.S. Department of Health, Education, and Welfare in 1980 (*25*), namely: to reduce per capita consumption of saturated fat, cholesterol, sugar, and sodium; to increase per capita consumption of dietary fiber and complex carbohydrates; and to maintain recommended levels of body weight. The report emphasizes that the criteria are based on present nutritional information, which may be revised as new knowledge becomes available.

Agricultural Policy

One of the chief principles of Swedish agricultural policy has been to keep farmers' incomes in line with those of the rest of society. This goal has resulted in both relatively high levels of protection from imports of grains and livestock products as well as expensive price support programs. In addition, the policy has succeeded in protecting the integrity of agriculture by strictly controlling farmland sales and by preventing the most efficient farmland from shifting to nonfarm use. In some remote areas, especially the northern part of Sweden, special regional policies such as higher prices for milk, beef, and pork have been used to discourage

Farms along Sweden's historic Göta canal, which traverses an important grain-producing region, contribute to a policy goal of keeping arable land in production.

depopulation. Although Swedish agriculture has not been export-oriented by design (the longrun aim is to keep production at a level that safeguards the food supply and provides for emergency stocks) a combination of income and price incentives, and technical skill has produced large exportable surpluses of farm products in recent years. Swedish policymakers are currently attempting to reduce surpluses of livestock products and to restore greater balance to agriculture.

Energy and Agriculture

Sweden has been active in research efforts to develop alternative energy sources to reduce its dependence on imported petroleum by the turn of the century (*9*). Sweden, with no oil, natural gas, or coal, depends entirely on imports for its fuel supply. Although there are no alternative energy programs within the strictly defined context of "agricultural policy," private companies have been coordinating alternative fuel projects with Government agencies. One private company has been developing demonstration plants using a wide range of domestic products such as sugarbeets, grains, and potatoes for producing ethanol. Sweden has also been a leader in producing energy from intensive growing of trees for wood

fuel. There is, furthermore, a growing interest in developing solar energy, wind power, and peat for energy use. One alternative under discussion in Sweden is that grain produced for export be diverted to ethanol later in the decade. The possible application of these programs, however, is long range and depends upon a variety of world fuel supply and cost/price factors.

Nuclear power is an important energy source in Sweden. Plans to double the number of nuclear powerplants from 6 (currently operational) to 12 have become a serious political question. However, since Sweden has large uranium resources, nuclear power will probably continue to be an important source of energy.

Historical Developments in Agricultural Policy

The basic philosophies underlying the objectives of agricultural policy in Sweden date back to 1947. At that time, an immediate objective was to increase incomes in the farm sector, ideally to levels comparable with the nonfarm sector. This "egalitarian" motive in farm policy has been tied to the overall social and economic philosophy in Swedish society. Since 1947, income goals have been a major aspect of farm policy, although the emphasis and method used to achieve them have varied. However, the problem of income comparability between farm and nonfarm sectors has been an ongoing difficulty, particularly in defining comparable groups in both sectors. Discussions related to the problems of definition and measurement of intersectoral income are underway in Sweden and will continue through the eighties. One approach includes a comparison between the standard of living for farmers who hold 20–100 hectares of cultivated land, compared with three nonfarm groups—workers, salaried employees, and other self-employed persons. [2]

The 1947 farm act prescribed a system of import levies—a highly protective policy, particularly for grain and livestock production. The levy system (described later in this report) is designed to achieve both income and price objectives spelled out in the various farm bills. Also, Sweden's agriculture generally has been at a comparative price disadvantage internally—that is, average farm prices have been relatively high compared

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[2] *Allowing for factors such as favorable depreciation allowances in agriculture and other benefits (education, automatic cost-of-living income adjustments in agriculture, and so forth), the real value of agricultural income rose. Some groups argue that the quality of life is a nonmonetary factor that should be quantified and included in the income calculations (14), (16).*

with world prices. The high prices not only enabled the farm population to share in the rise in the standard of living of the general population, but created production incentives that reinforced a compatible goal of maintaining production levels to ensure a sufficient supply of food in the event of a national emergency. A production target has been a continuing aspect of Swedish agricultural policy.

Production targets have generally spelled out specific output levels to achieve self-sufficiency in food production. Although the level and definition of self-sufficiency have varied and new concepts are continually under discussion, policy (since 1967) has generally favored maintaining food production to cover 80–100 percent of peacetime domestic requirements (on a calorie basis). This policy has also been closely tied to Sweden's neutral foreign policy, which, at least theoretically, assumes that neutrality can result in disruptions in the normal food supply. For example, although Sweden has not been at war for over 150 years, Sweden experienced severe food shortages during World War I. For this reason, Sweden maintains large stocks of foodstuffs for national security.

The evolution of Sweden's farm policy since 1947 has reflected both world conditions and internal economic and social developments. Immediately after World War II (1947–50), policy was strongly influenced by the Government's desire to increase food production while ensuring that efficient farmers, on small as well as large farms, received compensation comparable to that of industrial workers. However, the 1947 parliamentary resolution discouraged surplus production and was not geared to producing surpluses for export. These attitudes shifted under subsequent farm programs.

There have also been strong social motives in policies throughout modern Swedish history. Since the thirties, policy was strongly influenced by the rising importance of agricultural associations, and the impact of farm and consumer groups on policy. There is also a unique "middle way" economic philosophy common to most political parties in Sweden to find a compromise between the objectives of capitalism and socialism. "Special support" to low-income farmers is one example, although these measures are mainly tied to regional policy aims.

Despite the social objectives of equalizing incomes between farm and nonfarm families, income differences widened during the fifties—particularly due to rapid industrialization and higher nonfarm wages. Also, during the fifties, world food prices were at relatively low levels—too low to sustain the income equality target spelled out in the 1947 legislation.

Thus, the use of both variable import fees and various subsidies intensified. Rather than relax import barriers, which may have depressed farm incomes, the Government introduced more direct adjustments between farm prices and industrial prices and implemented a system—still used—of linking farm prices to import levies. Revenues received from import levies were used for various support programs, a policy still in effect. A system that rigidly fixed farm prices for relatively long periods of time was replaced by a more flexible system that permitted domestic prices to fluctuate around a negotiated middle-price level.

This process has become even more formalized since 1967, and is currently under review for further modifications (discussed later) during the eighties. Variable import levies were used to protect farm prices while provisions for more frequent review of commodity prices were employed.

The policies in the fifties and sixties, however, failed to equalize incomes between the farm and nonfarm sectors—primarily due to the rapid rate of industrialization and a constantly growing demand for labor in the nonfarm sector. Consequently, policy directives in the sixties were increasingly geared to improving income, principally on efficient farms, a theme that has been periodically stressed in more recent agricultural policies. When producer price and cost of production indices moved apart by at least 3 percentage points for 3 consecutive months, the levies were adjusted (the "3-percent rule"). Other innovations such as "income adjustment clauses" were introduced to adjust incomes of certain groups of employees. Although these improvements in price determination introduced more flexibility in the adjustment process by linking prices to inflation rates, it became clear in the late sixties that policy should be directed more emphatically at controlling production. Thus, the policy guidelines in the 1967 resolution strongly emphasized production controls in agriculture and a broad-based policy linking income and structural improvement.

Several factors precipitated Sweden's decision to formalize a goal of reducing self-sufficiency levels in agriculture in 1967:

- New industrial policies were aimed at shifting labor resources from low-productivity sectors into the rapidly expanding industrial sectors, an important objective of the then-governing Social Democratic Government.
- Import prices on the world market remained low relative to Swedish prices; thus cheap imports could play a role in reducing inflation.
- The costs of supporting marginally productive farms in Sweden had risen sharply.

- Although milk production declined, milk was still in surplus despite high production costs.

The policy spelled out in 1967 intended to formalize, through legislation, a process that had already begun. Farm numbers declined by about 8,000 annually between 1960 and 1967, and the farm labor force had fallen to about 8 percent of the total labor force by 1967. Also, productivity in agriculture (including fishing) increased by 4.8 percent on an average annual basis between 1960 and 1965, compared with a 3-percent increase between 1950 and 1965.

According to Erik Swedborg, one of Sweden's foremost experts in agricultural policy, "a fundamental factor in the 1967 resolution was the idea that world market prices would remain low for a long time to come and that it would become cheaper to import food than to grow it in Sweden" (*21*). Thus, the 1967 legislation contained a guideline for reducing production to a peacetime minimum of 80 percent on a caloric basis. In an emergency (a war or blockade), self-sufficiency could be raised by shifting production from livestock to grain-based products and by reducing overall per capita consumption. The reduction in output was to be accomplished mainly by encouraging a reduction in the number of farm units, primarily marginally productive farms in remote areas. The 1967 program replaced acreage subsidies for small (2–10 hectares) farms and certain milk subsidy schemes with "transition support," a program of temporary financing to encourage farmers either to retire completely from farming or to change employment. In practice, however, the transition support was of small importance (*21*).

The 1967 keynote legislation, although abolishing the 3-percent rule, included guidelines for regulating prices on an annual basis. The final phase of a 3-year (1971/72–1973/74) period included provisions for a semiannual review of farm prices and import levies (January 1 and July 1) and linking wholesale farm price increases to a special modified consumer price index. Since 1974, a so-called PM index (discussed later), which measures the rate of inflation in farming in Sweden more directly than the consumer price index, has been used. The PM index (still in use) and the parity price indices in the United States are similar in the sense that both measure changes in costs and income (technically, the two indices are not directy comparable). Unlike several of the previous farm programs, fixed increases in total agricultural income were agreed upon and represented estimates of compensation necessary to reflect both inflation (measured by the index) as well as changes in the nonfarm sectors.

An important feature of the 1967 farm policy was the retention of the "high-price" policy. Consequently, the 1967 program, although stressing the goal of reducing output, retained a highly protective price apparatus designed to keep domestic prices (and farm incomes) relatively high. Thus the policy was not directly translatable into a free trade policy, although it did succeed in reducing production of some surplus commodities, most perceptibly in the dairy sector. [3]

During 1967–73, persistent inflation and lower milk production caused a shift in the direction of agricultural policy. In addition, a strong upturn in world prices of feedstuffs created an atmosphere of uncertainty about the availability of low-priced imports in the medium and long term. Consequently, the 1974–76 farm law (extended to 1977) reversed the 1967 position of reducing agricultural output. The new law encouraged expanding output—even tolerating production of exportable surpluses, particularly grains, but also some livestock products and oilseeds *(1)*.

Milk prices were increased in the early seventies in an effort to rebuild milk supplies, largely reflecting a decline in output on small farms whose numbers were declining rapidly. However, the increased price was passed on to the consumer via higher retail prices.

The producer price for fluid milk rose by 19 percent in 1971 and 16 percent in 1972. These increased milk prices spilled over to a wide range of commodities. By the end of 1972, strong rises in world commodity prices compounded the existing food price inflation in Sweden. In 1972, the food component of the consumer price index leaped by 12 percent—39 percent higher than the 1966/67 level. Prices for the principal meat and dairy products were frozen in 1973. The retail price freeze on key food commodities meant that the increase in prices for farmers producing these commodities could not be financed through the consumer. When the freeze was lifted, prices once again rose, resulting in consumer protests. As a consequence, the Ministry of Finance, acting under the Emergency Price Control Act, granted a SKr 2.2 billion ($537 million) budgetary allocation for 1974/75 as a consumer subsidy. [4] A large percentage of

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[3]Total imports of agricultural products apparently followed a normal uptrend from 1967 to 1970 ($571 million in 1967 and $705 million in 1970). Imports of some levy-protected products (dairy products and grains) did not change significantly during this period.

[4]The question of whether the subsidy was a consumer or producer subsidy is academic. Technically, the treasury allocated funds for the increase in farm prices. These funds were then distributed via the appropriate commodity marketing organizations directly to the farmer. Consequently, key retail food prices remained frozen, insulating the consumer from the process, which normally pushed retail prices higher.

this allocation was used to finance farm price increases for foods affected by the retail price freeze thus (theoretically) shifting the burden from the consumer to the taxpayer.[5]

The use of subsidies in Sweden concurrent with retail price freezes represented a new "middle price" line, and remained an important feature of the 1974–77 farm program, which was extended to June 30, 1978, when the 1978–81 act went into effect. This "middle-price" line introduced in the 1974 farm program included direct farm supports and encouraged surplus production. Such surpluses raised other problems, namely the high cost of exporting, which was borne by the Swedish farmers themselves through their organizations. Furthermore, the prolonged price freeze was attacked by some interest groups for disrupting the normal marketing process and penalizing food industries handling foodstuffs not covered by the freeze, for example, fish and fish products.

Surplus production was partly an outgrowth of policy although the increasing yields of both animal and crop products were important factors.[6] Increasing agricultural production was also an important policy goal and was one of the recommendations of a Government report in 1977. Some of the main conclusions of this report are highlighted below since they were the basis for the direction of subsequent policy decisions:

- Production should be maintained at a level that fully utilizes Sweden's agricultural resources and ensures a safe food supply in the event of a national emergency. This target takes into consideration (directly or indirectly) trade, regional, environmental, and nutritional factors.
- Surplus production capacity should be steered into grain production rather than to livestock products. Arable area should be maintained within a range of 2.6 to 3 million hectares (regional, environmental, and foreign aid policy favor the higher acreage.)

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[5] *The shifting of the payment burden from the consumer to the taxpayer raises definitional questions requiring distinctions between these two groups. Since taxation is highly progressive in Sweden, and since State revenues are also derived from high excise taxes on luxury items and a wide range of consumer durables, the two groups (consumers and taxpayers) are not directly synonymous in an economic sense.*

[6] *Research at Sweden's University of Agricultural Sciences at Ultuna has played an important role in solving production problems unique to Sweden's northerly location.*

- A "middle-price" line should be maintained, with food subsidies continued along the lines established in the 1974 farm bill.
- General and regional supports should be provided (loan guarantees and grants) for facilitating investment for all farmers, assisting farmers with a need for capital, and assisting development in remote areas.

The 1977 Parliamentary Resolution (the basis for the 1978–81 farm bill) reemphasized the income goal as a central feature of agricultural policy, in contrast to the 1967 program, which concentrated on production adjustments. Although no agreement was reached on a precise definition of comparable income, some calculations were made by comparing 20- to 100-hectare farms with certain groups of industrial workers. The farm income and price support policies of previous programs continued as the major policy tool, namely semiannual reviews of costs and prices and compensation to farmers for higher production costs and for collecting and processing farm products. Also, special compensation was granted to farmers for income losses based on lower sales due to consumer subsidies. The system of import protection via fixed and variable levies remained intact, and the revenue from these levies was used to finance various price support programs.

The income goal applied to all farmers throughout Sweden and, consequently, this aspect of policy embraced existing regional policies as well. Regional price support programs had existed since the 1940's and consisted of price supplements paid from the budget, particularly to farmers in northern Sweden.

In addition, a low-income support program, initially introduced in 1974 was expanded during the 1978–81 period. Unlike the regional supports, this program was applied with no geographic restrictions. The policy included allocations for milk deliveries, production supports, and payments for health, social insurance, and replacer services (partly state-subsidized labor that tends a farm while the owner is on vacation).

The concept of a family farm as the basic structural unit was reemphasized in the 1978–81 policy, continuing a long tradition. Sweden's present Land Acquisition Act, in force since 1979, encourages family ownership of farms. The 1978 nationalization act states that the principal form of holding is the family farm and one aim of the government's policy is to build up and support efficient family farms. In Sweden, most farms are small family enterprises and only a few farms employ hired labor.

The deterioration in Sweden's economic situation from 1979 through 1981, characterized by high inflation (11 percent in 1981), serious balance of payments deficits, and, especially important to the Swedish farmer, rising interest rates, contributed to a serious policy crisis. Sweden shared an alarming cost/price squeeze along with many Western European countries and the United States in 1980 and 1981. Soaring costs, particularly for fuel and fertilizer but also for goods and services, caused real farm income to decline substantially. At the same time, the state of the economy required serious budget cutbacks and a 15-percent interest rate. Also, by 1982, costly surpluses developed, particularly for livestock products, resulting in high export subsidies.

The 1981 negotiations for the new farm bill were characterized by the conflicting positions of the participating interest groups—the Government (represented by the Market Board), the consumer's delegation, and the producer's delegation. Sharp conflicts occurred during these negotiations, particularly regarding the amounts for cost compensation to agriculture, and no agreement was reached on any of the major components of cost compensation. In the absence of an agreement between the negotiating parties, the National Swedish Market Board submitted its own proposal for a 1-year rather than a traditional 3-year agreement based on the principles of the previous 3-year agreement. The negotiating parties did, however, later agree to a 2-year (1982–84) farm program in March 1982. The 1981–82 bill allocated SKr 70 million ($13 million) in income amelioration—far less than the SKr 550 million ($100 million) demanded by the farmer's delegation. An addendum to the farm bill included a one-time payment of SKr 100 million ($18 million) since the existing method of payment did not allow for lags between the allocation of funds and the actual payment during periods of rising costs.

The 1981 discussions made clear that agricultural policy decisions will be increasingly responsive to the general economic situation. A major indication of budgetary stringency in the 1981 farm bill was the decision to sharply reduce consumer food subsidies that applied to basic foods such as meat, milk, bread, flour, and cheese. Both the consumer delegation and the farmers were distressed at this decision since consumer food prices will rise sharply (by an estimated 20-30 percent in 1982) and farmers' income could decline as retail sales fall. Nevertheless, allocations on consumer subsidies will likely be reduced during the eighties—due to budgetary restraint—in sharp contrast to the agricultural policies of the seventies.

A commission investigated alternatives for reducing costly agricultural surpluses and issued recommendations to the Government in November

1981. Many of the recommendations are likely to be features of Swedish agricultural policy in the eighties and were included in the 1982–84 farm program. The measures are designed to curtail production of certain livestock products to domestic consumption levels, to reduce surplus inventories, and thereby to reduce export subsidy expenses. The measures will:

- Reduce investment supports.
- Impose input fees on fertilizers and feed concentrates. A fee on concentrates is likely to reduce soybean meal imports, largely manufactured on the continent from U.S. soybeans.
- Impose slaughter premiums on calves, small pigs, and sows so that younger animals will be slaughtered and meat production will be discouraged.
- Award special compensation to farmers between 60 and 65 years old for discontinuing milk production.
- Reduce prices for beef and pork in school lunches.
- Discontinue or reduce special supports for hog and dairy production between 1982 and 1984.

A combination of reduced consumer subsidies and lower production supports is intended to achieve the desired goals of lower output of dairy products and meat and, consequently, lower export costs.

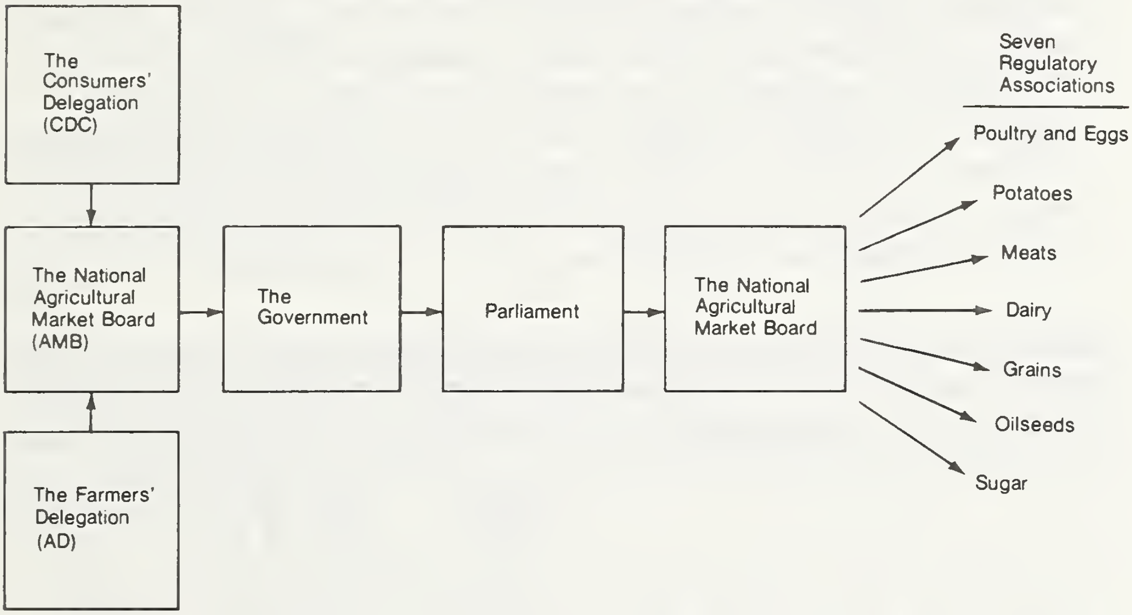
Total national export costs largely borne directly or indirectly by the farm organizations (via various consumer or producer price adjustments) are estimated at SKr 1.3 billion ($236 million) in 1981–82 rising to an estimated SKr 2 billion ($364 million) by 1985 if present production and consumption trends continue. Large surpluses of beef and veal (13,000 tons) and pork (42,000 tons) incurred expensive export subsidies of $1.75 per kg and $1.20 per kg in 1981, up from $1.40 per kg and $0.95 per kg in 1980. New farm policies are partly designed to prevent these expensive surpluses from reaching huge levels estimated to reach over 35,000 tons of beef and veal, and over 80,000 tons of pork by 1985.

Farm Policy Formulation

Agricultural policy in Sweden, as in most developed countries, includes a myriad of decisions affecting virtually all aspects of the food and fiber sector. Policy questions are normally decided by the Ministry of Agriculture, which is subdivided into many independent agencies. One agency, the National Agricultural Market Board, is the central authority for both the regulation of agricultural prices and the marketing of agricultural (including

Figure 2

Sweden's Agricultural Policymaking Process



fishery) products. The Board is also responsible for food supplies during a national emergency. Another agency, the National Board of Agriculture, is the administrative authority for farm structural improvement and other areas, such as veterinary services.

Normally, a new farm bill is enacted into law following negotiations between the National Agricultural Market Board (representing the Government) and farmer and consumer delegations. The bill is subsequently forwarded to the Ministry of Agriculture and finally voted upon in the Parliament (fig. 2).

The National Agricultural Market Board negotiates twice yearly according to law with two delegations, the consumers' delegation representing the consumers, and the farmers' delegation representing the farmers. Each group presents its own proposals to the Board stipulating the amount of compensation farmers should receive and how specific commodity prices, subsidies, and so forth should be allocated to achieve income goals.

The total amount of compensation provided in the farm bill is the sum of four elements:

Compensation for farm production cost increases—a major component representing about 80 percent of the total compensation paid to

farmers in the 1981–82 farm bill. The compensation is calculated by a cost-of-production index, the PM index (see table 2). As the table indicates, costs are broken down into three areas—supplies, services, and capital expenditures—the index excludes costs for hired labor. The index is multiplied by the estimated total cost of production in agriculture (adjusted for hired labor) in order to derive compensation for farm cost increases for the forthcoming period. Since some of the revenues for this category are derived from import levies, items that are traded play an important role in the discussions.

Table 2—Sweden's farm production index (PM), types of goods, and weights used, 1980 and annual percentage change in index, 1980-81

Item	Weights, 1980	PM index: Feb. 1981 (1966-67 = 100)	PM index: Increase, 1981
	Percent	*Percent*	*Percent*
Supplies:			
Fuels and lubricants	4.7	655.9	23.1
Fertilizers and lime	10.6	276.5	15.2
Feeds	20.8	261.9	12.5
Electricity	2.9	274.4	5.0
Miscellaneous supplies	4.2	237.4	14.6
Total	43.2	283.6	14.4
Services:			
Freight	1.4	375.6	16.6
Milk testing	1.3	452.7	19.5
Insemination costs	.8	401.1	9.9
Machinery rental	.9	434.8	14.5
Drying costs for grain	.6	285.4	13.0
Other	7.8	275.6	11.6
Total	11.8	308.0	12.1
Capital expenditures:			
Machinery and equipment			
Maintenance	6.9	348.6	14.6
Depreciation	14.5	254.2	9.5
Farm building, maintenance, depreciation	10.8	305.7	10.1
Interest costs on borrowed capital	12.8	217.2	15.9
Total	45.0	273.2	12.8
Total for factors of production index	100.0	282.4	13.5

Source: Swedish National Farmer's Union, and "Prisindex pa Jordbruksområdet," Swedish National Market Board, Stockholm, April 1981.

Table 3—Total compensation to agriculture for July 1, 1981, to June 30, 1982, under the 1981-82 farm bill[1]

Item	Compensation	Compensation	Share of total
	Mil. SKr	*Mil. US$*	*Percent*
Production cost increases	942.0	171.3	79.6
Industrial processing and collection cost increases	220.5	40.1	18.6
Income adjustments	30.0	5.5	2.5
Other	−9.2	−1.7	−.7
Total	1,183.3	215.2	100.0

[1]The total amount of compensation for calendar year 1982 was set at SKr 896.2 million ($162.9 million). The compensation to agriculture for the period, January 1, 1982, to July 30, 1982, allows SKr 32.7 million ($6 million) for the decrease in food subsidies but reduces the compensation by SKr 52.5 ($9.5 million) for devaluation effects.

Food industry cost compensation—a relatively unique feature of Swedish agriculture due to the integration of farmers with the processing industries. A typical Swedish farmer generally is a member of several cooperatives and has an ownership in the cooperative processing and marketing industries.[7] Thus, a farmer's income is affected by the cost and profit levels of the food industry, particularly the cooperatives. The producer price for most dairy and livestock products is negotiated at the wholesale level due to this widespread involvement of farmers in cooperatives. Consequently, some of the profits of the food industry for collecting and processing farmers' production are rebated to the farmers.

Farmer's income—attempts to align farm incomes with other sectors of the economy. However, identifying and selecting comparable farm and nonfarm groups in Swedish society have been the basis for continuing debate. During the discussion of the 1981–82 farm program, definitions of income comparability were heatedly debated and consequently special committees will recommend a process for resolving comparability differences to the Government.

Other factors—may vary, but in the 1981–82 legislation, this category represented an adjustment of earlier payments for items such as storage costs and the effects of a devaluation of the Swedish Krona and actually resulted in a decline in total compensation to farmers (table 3).

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[7]Over three-fourths of all Swedish agricultural production and supplies is handled by the cooperatives; they account for the marketing of 99 percent of the milk, 75 percent of the grain, 80 percent of livestock slaughter, and 75 percent of the wholesale trade in eggs.

After agreement is reached on the total increase in aggregate farm income, the total amount is distributed over the entire commodity spectrum (table 4). The domestic supply and demand situation, as well as import prices for each commodity, is considered in determining price changes. The various marketing associations also play a role in recommending the prices of specific products. The proposed farm bill is then presented to Parliament by the Ministry of Agriculture for enactment into law, after which the National Agricultural Market Board authorizes the regulatory

Table 4—Total compensation to agriculture by commodity under the 1981-82 farm bill

Commodity	Total compensation
	Mil. Swedish Kronor
Crops:	
Wheat	65.69
Rye	18.36
Barley	9.52
Oats	18.20
Potatoes	52.56
Potato starch	17.60
Oilseeds	48.75
Peas	.96
Kidney beans	.44
Other	9.20
Total	241.28
Dairy products:	
Milk	336.82
Cream (40-percent fat)	43.00
Cream (12-percent fat)	11.00
Butter	41.60
Cottage cheese	1.35
Other cheese	56.10
Milk powder	10.78
Total	500.65
Meat:	
All meat, excluding pork	143.04
Pork	200.90
Total	343.94
Other livestock products:	
Poultry, excluding turkey	33.76
Turkey	1.80
Eggs	61.82
Total	97.38
Total	**1,183.25**

associations (organized on a commodity basis) to implement the various price programs.

When the consumers' and farmers' delegations cannot reach agreement with the Board as to farm income compensation, the Board is then authorized to present its own proposal to the Government. Although this situation is rare, it occurred during the 1981-82 discussions resulting in a 1-year farm bill rather than the normal 3-year bill. Nevertheless the main principles set down in the Farm Act of 1977 (see pp. 11 and 12, above) are likely to continue for several years, although the amount of compensation distributed under the act will be continually debated and changed with economic conditions.

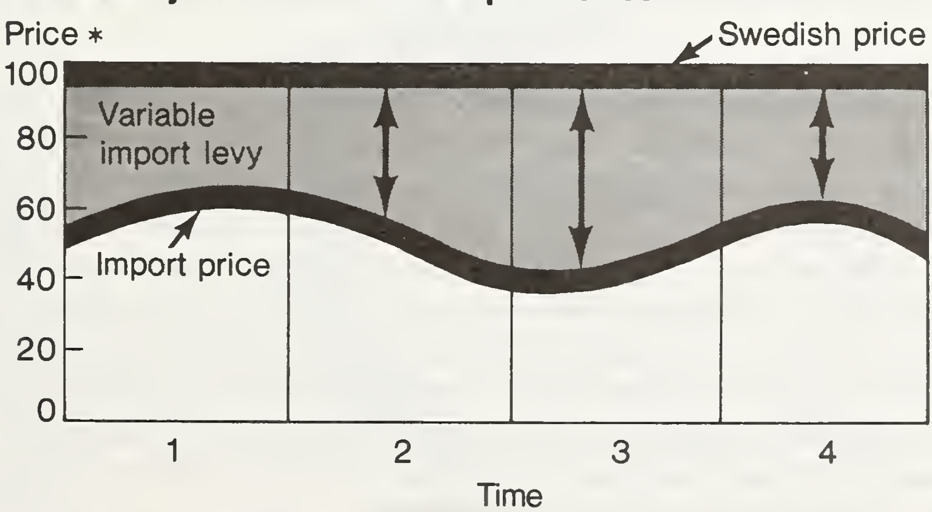
The Swedish system of import levies plays many roles. It was designed to protect farmers' incomes from competitive imports, control domestic prices, and provide revenues for farmers since levies are distributed to agriculture to finance certain policy measures. [8]

Although both the 1981–82 and 1982–84 farm programs modified some aspects of the import levy system (by changing the price relationships used to calculate levies) the general method of operation for most other levy-protected commodities has not changed significantly since the mid-fifties. Figure 3 illustrates the basic Swedish system of variable and fixed import levies, which insulate internal prices from world market prices.

[8] *Excellent analyses of the Swedish price system may be found in (3).*

Figure 3

Swedish System of Variable Import Levies



* Theoretical price range.

Figure 4 illustrates the revisions in the system undertaken in the 1981–82 bill. Variable levies (fig. 3), reflecting the gap between the Swedish market prices and import prices, apply to wheat, rye, certain prepared feeds, and sugar commodities. The market prices for those commodities are generally fixed above world market prices for relatively long periods. These commodities are regulated by a state monopoly. For example, grains and feeds are regulated and marketed by a quasi-governmental agency, the Swedish Grain Trade Association (GTA). GTA handles most of the export negotiations, including clearing prices, and also commissions the private trade for the actual handling of exports. Sugar is regulated by the Swedish Sugar Trade Association, a quasi-governmental organization, but the regulations are executed by the Swedish Sugar Company, a private company that is the sole manufacturer of sugar.

For livestock and poultry products—meats, dairy products, poultry, and eggs—the import levies stay constant for a longer period, normally changed only twice yearly in coordination with decisions made as a result of the semiannual agricultural compensation negotiations. Upper, lower, and median prices (desired target prices) are set for these products. The import levy stays constant only as long as the Swedish wholesale price remains within the specified upper and lower limits. If, for example, domestic prices fall to the lower limit, import levies will increase (fig. 4). The National Agricultural Market Board is responsible for changing import levies.

For a number of products of interest to the United States, such as turkey rolls, egg rolls, and processed potato products (as well as other products for which no maximum level has been set), the National Agricultural Market Board is authorized to increase levies regardless of price relationships if foreign competition threatens domestic sales.

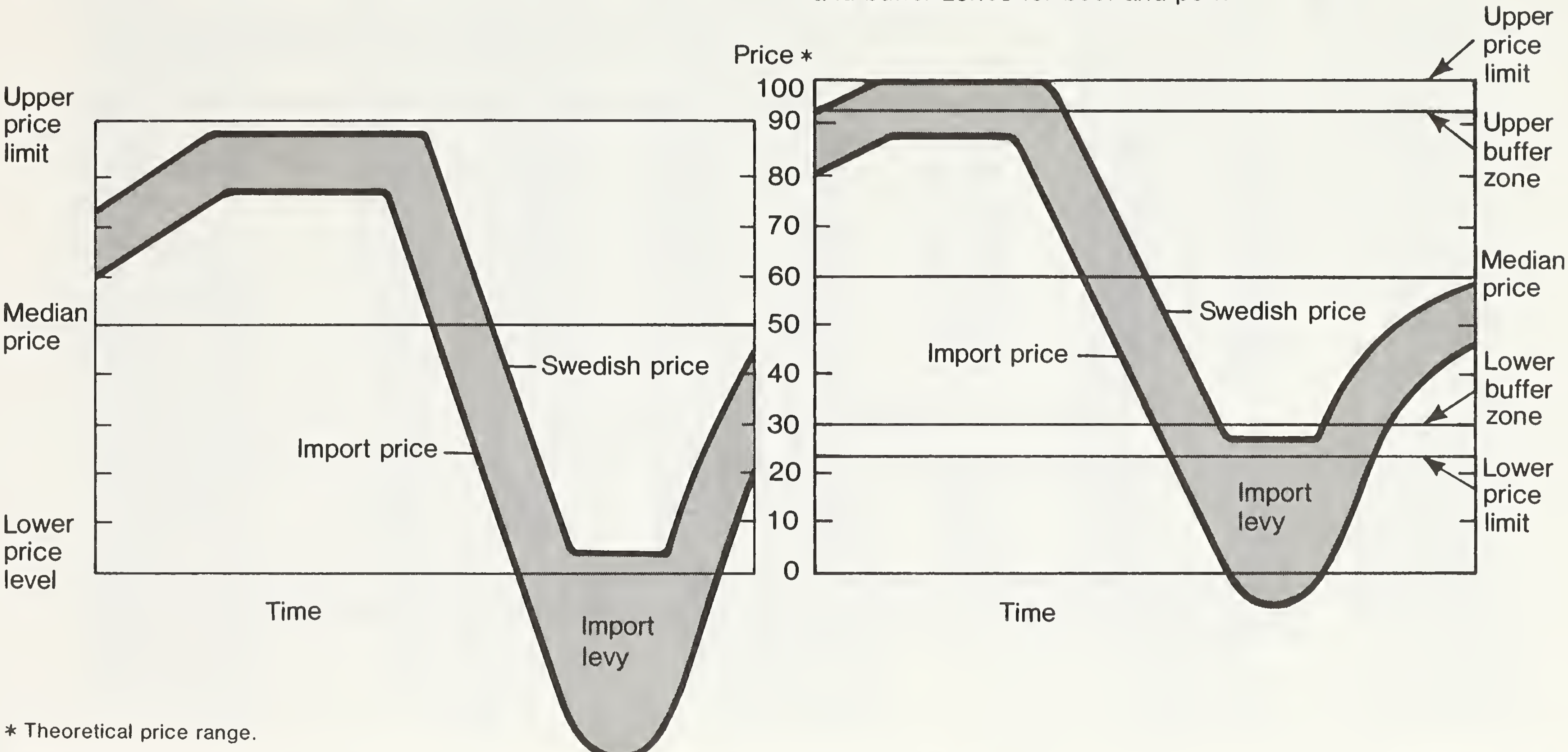
One feature of the new farm program is a modification of the levy system for some livestock products. Under the revised schedule (table 5 and fig. 4), all upper, lower, and median prices were increased while the ranges between the upper and lower limits were narrowed. This system, effective July 1981, allows more frequent adjustment of import levies to actual market situations. Actual market prices for most livestock products had remained near the upper limits in recent years. In addition, upper and lower buffer zones were calculated for beef and pork (items of troublesome surplus) in order to achieve producer price targets by more frequent adjustment of levies, if necessary. Such buffer zones, if effective, may be applied to other products during the eighties.

Figure 4

Import Levies Fixed Within Certain Price Limits

Before July 1, 1981

After July 1, 1981: Higher price limits, higher median prices, and buffer zones for beef and pork



* Theoretical price range.

Table 5—Upper and lower price limits, buffer zone prices, median prices, 1981-82[1]

Item	Lower price limit	Upper price limit	Lower buffer zone	Upper buffer zone	Median price (Jan. 1, 1981)	Median price (July 1, 1981)	Median price (Jan. 1, 1982)	Increase Jan. 1, 1982 to July 1, 1982
	Swedish Kronor							Percent
Beef	1,559	1,759	1,593	1,725	1,445	1,659	1,869	13
Veal	1,748	1,972	NA	NA	1,591	1,860	2,010	8
Lamb and mutton	1,352	1,652	NA	NA	1,289	1,502	1,692	13
Pork	1,123	1,267	1,147	1,243	993	1,195	1,431	20
Poultry (hens)	1,093	1,283	NA	NA	1,145	1,188	1,323	11
Eggs	806	946	NA	NA	783	876	906	3
Butter	1,146	1,292	NA	NA	1,197	1,219	1,297	6
Nonfat dry milk	700	790	NA	NA	639	745	895	20
Cheese	1,494	1,684	NA	NA	1,354	1,589	1,754	10

NA = Not applicable
[1]Buffer zone prices apply only to beef and pork (see text).

Source: Gerald Enckell, Office of the Agricultural Attache, American Embassy, Stockholm.

The buffer zone simply triggers the change in levies for beef or pork before prices reach the upper and lower limits. When domestic prices reach the buffer zones, import levies will be changed by twice the difference between the median price and the buffer zone limit. If wholesale prices continue to rise above the upper buffer zone limit, not only will levies be lowered but storage support subsidies could be withdrawn.

The revised levy system (narrowing the gap between upper and lower price limits and establishing buffer zones for beef and pork) is intended to result in greater price stability by bringing the desired target, or median prices, more in line with wholesale prices. Thus, the effective tool is the capability to change levies with increased frequency, if necessary. The objective of this modification is to adjust production to the actual market situation.

The 1981–82 and 1982–84 Farm Programs

Due to the inability of the farmers' and consumers' delegations to reach an agreement, a 1-year, 1981–82 farm program was adopted rather than the traditional 3-year program. [9] Agreement between these delegations was reached for a subsequent 1982–84 farm bill, which became effective July 1, 1982. Both of these programs assure the continuity of the programs of the seventies although some emphasis and expenditure levels have changed because of inflation and other economic problems.

Under these farm programs, the three goals—production targets, income equality, and efficiency—continue. Production levels should approximate domestic consumption as closely as possible, and deemphasize the production of surplus commodities such as meats and dairy products. Assuming normal yields, surplus grain production (about 1 million metric tons) will be tolerated since grain surpluses can be absorbed by both commercial sales abroad and Sweden's food aid program. Thus, in contrast to the farm program of the midseventies:

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[9] *The reasons for the dispute between the farmers' and the consumers' delegations over the total compensation were complex. Consumers wanted to ensure that price increases would be moderate while farmers wanted higher compensation to recover increased costs and regain income losses. Consumers argued that since input prices were relatively high, actual purchases by farmers were reduced; hence large levels of compensation were inappropriate. This type of dispute is extremely rare.*

- Expensive surpluses will not be tolerated (with the exception of grains), particularly livestock surpluses, exports of which are largely financed by the farmers, resulting in depressed income. Sweden's objective of discouraging subsidized exports of surplus commodities is consistent with U.S. international trade policies.
- The income goal of assuring economic standards equal to other groups in society will be encouraged, with use of new formulas for determining comparability between farm and nonfarm groups.
- The family farm concept will be retained.

Efficiency standards were included in the recent farm programs but were not given any priorities due to the overriding emphasis on prices and incomes. The encouragement of small, efficient family farms is linked to social and regional policy of decentralizing agriculture to ensure the existence of viable communities throughout Sweden, with pockets of urbanization even in remote, arable areas.

Sweden's farm policy encourages efficient farmers in remote areas to stay in farming by offering them a wide range of supports. In some areas, sales of forest products amount to one-third of farm income.

Both farm bills continue to provide for semiannual reviews (in July and January) and compensation in order to maintain domestic prices at desired levels and achieve a predetermined agricultural compensation level (tables 3 and 4). However, due to budgetary stringency, expenditures in several programs have been cut back. A major turnabout in the 1981–82 program was the sharp three-stage decline in consumer food subsidies amounting to SKr 1.05 billion ($191 million). The remaining food subsidies will be allocated under the 1982–84 program during 1983 and are estimated at SKr 3.3 billion ($600 million). The decision to reduce subsidies is largely based on the Government's desire to reduce spending due to the distressed state of the economy.

This development implies a somewhat "higher price line" than the so-called "middle price line" objective in the past, since higher producer prices will be passed on to the consumer. In the past, producers received a direct payment from the Treasury so the higher prices were not passed to consumers—consumer prices for key products were frozen under the Price Regulation Act. [10]

The 1981–82 and 1982–84 farm programs heavily emphasize price and income factors. As indicated in table 3, the major allocation falls heavily on increases in production costs, representing 79.6 percent—SKr 942 million ($171.3 million)—of the total compensation of SKr 1.2 billion ($215 million). The total figure includes the special one-time payment of SKr 100 million ($18.2 million). Compensation for processing and collection costs increase to SKr 220.5 million ($40.1 million or 18.6 percent), while the disputed income adjustment total was only 2.5 percent of the total, at SKr 30 million ($5.5 million); another SKr 40 million ($7.4 million) was added on January 1, 1982.

Although these allocations are only for the 1-year (1981–82) program, the basic policy framework remained intact for 1982–84 and is likely to continue for several years. No major changes in legislation are likely in the medium term, although levels of compensation will vary with the general economic situation. There is, however, anxiety among producers that the reduction in consumer subsidies will result in relatively high and inflationary retail prices, even with a recent (November 1, 1981) cut in the value-added tax from 23.46 to 21.51 percent. Consequently, consumer purchases of food and thus farmers' incomes are likely to decline.

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[10] *The Price Regulation Act enables the Government to implement price freezes when necessary, for example, during a national emergency. In addition, such measures as maximum prices, advance notification of price increases, and agreements on "fixed prices" are regulated under this act.*

The rises in the median prices for beef, lamb, mutton, and pork (table 5) were especially strong and will be passed on directly to the consumer.

Implications for U.S. Agricultural Exports

The impact of Sweden's economic policy, the expectation of relatively slow rates of both economic and population growth, the uncertain impact of exchange rate changes, and a continuing emphasis on price and income protection imply that market expansion for U.S. products will be difficult during the eighties. U.S. exporters, however, can expect at least to keep the market shares they have—particularly for traditional products such as fruits, vegetables, and tobacco.

The United States has sustained a relatively constant 9-percent share of the Swedish market for several years with steady growth in the prices of market leaders such as fruits, vegetables, nuts, and tobacco. The total value of agricultural imports from the United States rose from approximately $148 million in 1976 to $187 million in 1981 (table 6).

Factors with potential beneficial effects on U.S. farm and food exports to Sweden are:

- The increase in international investment between Sweden and the United States.
- The excellent political and cultural relations betweeen Sweden and the United States. Thus, Sweden's business community is highly receptive to U.S. trade interests.
- The U.S. reputation as a dependable supplier of farm products as well as a high-quality producer.
- The expectation of future modifications in the system of import levies to allow more frequent adjustments, which will improve the market potential for some levy-protected products if inflation continues at high levels.
- A shift in eating habits and preferences and greater consumption of processed and convenience foods during the past decade. Such changes are due to sociological factors, such as more away-from-home vacations, an uptrend in the proportion of women working outside the home, and a greater awareness of ethnic foods (partly reflecting a rise in tourism in Sweden). High food prices under the new policy may slow these trends. Thus, exporters to the Swedish market should be aware that price, quality, and nutritional factors will play an increasingly important role in the competitive Swedish market.

Grains

The United States is likely to retain a high market share for corn (about 85 percent), linked to demand from both the feed and food sector and rice (about 45 percent), although actual U.S. exports of these products to Sweden are relatively small, 70,000 metric tons and 22,000 metric tons, respectively, in 1980. Although corn importers must pay a levy (SKr 41/100 kg—$7.45—on September 22, 1981), the levy will be refunded, upon a special application, on corn used as popcorn. There are no levies on imports of rice.

There is little possibility of increased imports of grain from the United States unless a shortage in Sweden arises from poor weather. Sweden is a surplus producer of grains and exports about 1 million metric tons

Table 6—U.S. market share for selected Swedish agricultural imports, 1976 and 1981[1]

Commodity	1976 Total	1976 U.S. share	1976 U.S. share	1981 Total	1981 U.S. share	1981 U.S. share
	—Mil. dol.—		*Percent*	*—Mil. dol.—*		*Percent*
Live animals	3.0	0.8	26.7	5.9	2.8	47.5
Meat and prep.	98.5	2.1	2.1	56.2	2.8	5.0
Dairy products and eggs	29.1	.4	1.4	40.0	—	—
Cereals and prep.	67.9	12.9	19.0	122.3	27.4	22.4
Fruits, vegs., and nuts	403.2	63.2	15.7	560.0	73.2	30.7
Sugar and prep.	66.0	.5	.8	64.5	—	—
Coffee, tea, cocoa, spices	395.6	.5	.1	398.0	—	—
Animal feeding stuffs	117.7	5.1	4.3	194.3	11.0	6.0
Misc. food prep.	47.6	5.3	11.1	70.6	7.5	10.6
Beverages	93.4	6.1	6.5	138.5	6.9	5.0
Tobacco and tobacco prod.	54.5	25.2	46.2	66.0	30.5	46.2
Hides, skins, furs	55.9	8.6	15.4	48.1	4.3	8.9
Oilseeds, nuts, kernels	16.5	.6	3.6	20.7	4.9	23.6
Cotton	10.3	5.5	53.4	6.9	2.4	34.8
Veg. fiber, excl. cotton jute	3.4	—	NA	2.4	—	—
Crude animal raw materials	127.6	2.5	2.0	176.1	5.1	2.9
Animal, veg. oil, fats	61.1	8.8	14.4	65.4	8.2	12.5
Total agriculture	1,651.3	148.1	9.0	2,035.9	187.0	9.2

— = negligible.
NA = not available.
[1]Preliminary.
Source: U.N. Trade Statistics.

annually. As previously mentioned, grains are likely to remain a cash crop for export (table 7) while expensive surpluses of livestock products will be discouraged.

Sweden's system of variable levies (fig. 2) is functionally similar to the Common External Tariff (CXT) of the European Economic Community and effectively prevents sizable imports of competitve grains from entering the Swedish market. The grain price in Sweden (the guaranteed price received by farmers) is negotiated in the semiannual income agreements and is generally set above prices on the world market and insulated by variable import levies established by the National Agricultural Market Board. The Swedish Grain Trade Association, a quasi-governmental agency (private grain dealers are members), regulates the grain trade and approves prices. A private company, the Grain Export Company, and the Swedish Farmers Purchasing and Marketing Association (an organization within the farmers' cooperative movement), actually handle the movement of the grains.

Table 7—Sweden: Value of total agricultural exports, 1976-81

Commodity	1976	1977	1978	1979	1980	1981[1]
			Million dollars			
Live animals	1.5	1.4	1.9	3.2	3.1	3.6
Meat and prep.	53.2	57.9	56.7	75.3	92.5	104.0
Dairy products and eggs	29.4	19.6	27.5	28.2	35.1	47.5
Cereal and prep.	192.4	143.2	149.2	174.2	206.4	197.2
Fruits, vegs., and nuts	32.2	39.6	44.8	49.6	40.8	48.1
Sugar and prep.	12.6	24.0	25.8	37.6	52.9	41.4
Coffee, tea, cocoa, spices	36.5	34.8	38.6	44.5	51.4	54.2
Animal feeding stuffs	4.5	4.8	5.9	9.4	10.4	9.1
Misc. food prep.	17.9	18.7	19.9	27.4	31.9	28.8
Beverages	2.6	4.8	3.2	3.9	5.6	5.7
Tobacco and tobacco prod.	14.5	11.3	16.2	17.5	18.3	22.2
Hides, skins, furs	54.7	59.2	69.4	96.1	94.9	79.5
Oilseeds, nuts, kernels	28.1	12.4	8.6	38.3	27.1	24.5
Cotton	—	—	—	—	—	2.4
Veg. fiber, excl. cotton jute	1.0	1.0	—	—	—	2.0
Crude animal raw materials	18.3	21.6	28.7	33.7	37.5	33.8
Animal, veg. oil, fats	46.0	57.2	62.6	73.8	74.7	62.3
Total agriculture	545.4	511.5	559.0	712.7	782.6	766.3

— = negligible.
[1]Preliminary.
Source: U.N. Trade Statistics and Swedish National Statistics.

Oilseeds

Sweden does not import soybeans. Although plans for construction of a plant, which could crush soybeans as well as other oilseeds, at Karlshamn have been on the drawing board for several years, construction has yet to start. Sweden's only crushing plant (also at Karlshamn) crushes only copra, shea nuts, and rapeseed, none supplied by the United States. Sweden does, however, import soybean meal and soybean oil—virtually all from West European crushers—largely crushed from U.S. soybeans. Sweden's imports of oilcake and meal represent about 75 percent of consumption. Total imports of oilcake and meal normally range between 300,000 and 350,000 metric tons annually. Imports of soybean meal are normally about 200,000 metric tons per year. A levy applies to soybean meal to maintain a fixed ratio of 1.95–2.00 between the c.i.f. (cost, insurance, and freight) price on imported oilmeal and the domestic redemption price on domestic feed grain. For example, in order to sustain a ratio of 1.95 in September 1981, the levy on oilcake and meal was SKr 50 ($91 per 100 kg). Because of a fee on concentrate use in the 1982–84 farm program, imports of soybean meal will probably decline.

Table 8—Sweden: Value of total agricultural imports, 1976-81

Commodity	1976	1977	1978	1979	1980	1981[1]
			Million dollars			
Live animals	3.0	2.3	3.0	4.6	5.7	5.9
Meat and prep.	98.5	84.0	72.0	113.2	97.7	56.2
Dairy products and eggs	29.1	31.4	32.2	33.6	41.9	40.0
Cereals and prep.	67.9	68.1	79.0	93.0	114.1	122.3
Fruits, vegs., and nuts	403.2	438.3	472.1	540.1	613.7	560.0
Sugar and prep.	66.0	43.6	39.7	55.2	76.9	64.5
Coffee, tea, cocoa, spices	395.6	466.5	477.7	508.2	526.9	398.0
Animal feeding stuffs	117.7	153.8	166.4	194.6	209.3	194.3
Misc. food prep.	47.6	55.1	62.6	71.2	71.6	70.6
Beverages	93.4	102.2	110.9	139.6	154.0	138.5
Tobacco and tobacco prod.	54.5	52.3	65.6	64.4	71.4	66.0
Hides, skins, furs	55.9	52.3	55.7	75.6	58.2	48.1
Oilseeds, nuts, kernels	16.5	25.3	26.3	25.0	27.7	20.7
Cotton	10.3	11.2	12.6	10.9	11.3	6.9
Veg. fiber, excl. cotton jute	3.4	3.3	2.7	2.4	2.4	2.4
Crude animal raw materials	127.6	148.3	165.4	187.6	204.0	176.1
Animal, veg. oil, fats	61.1	76.7	86.5	111.2	95.2	65.4
Total agriculture	1,651.3	1,814.7	1,930.4	2,230.4	2,382.0	2,035.9

[1]Preliminary.
Source: U.N. Trade Statistics and Swedish National Statistics.

Small amounts of textured soy protein are imported from the United States although this item is not likely to increase in importance even if the price of meat continues its sharp increase. Cheese is a more realistic substitute for red meat in Sweden. Also, imports and consumption of soybean oil have increased, reflecting its increasing use as a substitute for marine oils (a saturated fat) in margarine. Use of marine oils in margarine declined from 21,000 metric tons in 1975 to 9,500 metric tons in 1980 while soybean oil used in margarine during this period rose from 25,200 to 30,000 metric tons. Although the United States does not ship soybean oil to Sweden, West European crushers supplying Sweden use beans mainly from the United States. An ad valorem import duty of 15 percent on refined vegetable oils has been in effect since July 1973.

Tobacco

The United States is the principal supplier of unmanufactured tobacco to Sweden, with 70 percent of the market in recent years (46 percent when tobacco products are included, table 6). Although no major changes in Swedish trade policy are anticipated, U.S. exporters may face increased competition from Brazil, Zimbabwe, and Malawi because Virginia-type tobaccoes from these countries now conform to Swedish requirements.

Antismoking campaigns, increased consumer awareness of the relationship between smoking and health, relatively high excise taxes on tobacco and tobacco products, and a prohibition of any direct consumer advertising for tobacco products in Sweden have caused tobacco use to decline. For example, in 1981 total sales of cigarettes and cigars declined by 3.5 and 8 percent respectively compared with 1980.

Fruits and Vegetables

Fruits, vegetables, and nuts are the most important commodities exported by the United States to Sweden, accounting for nearly 40 percent of the total value of U.S. agricultural exports to Sweden. The U.S. market share of 31 percent in 1981 nearly doubled since 1976 (table 6). Fruits and fruit preparations are the most important single category of farm goods exported by the United States to Sweden.

The Swedish levies, designed to shelter farm incomes for grain and livestock farmers, do not apply to fruits and vegetables, since Sweden imports a relatively high percentage of its consumption (over half of noncitrus fruits and virtually all citrus fruits are imported). Sweden's commercial fruit production is dominated by apples and pears although plums, cherries,

and a wide variety of berries are grown. The main trade barriers applying to fruits and vegetables have been seasonal tariffs used concurrently with import calendars, which are used while domestic production is being marketed. Variations in the opening and closing dates of the tariff-free import calendars for fruits affect U.S. exports, particularly during the holiday period when demand is strong. For example, the opening date for pears and quinces is usually November or December, but may extend to January, and normally closes in mid-July. The opening date for apples is generally February or March. The closing date for apples is mid-July also. During the remainder of the year a tariff of SKr 25 ($4.55) per 100 kg applies to both pears and apples. Import tariffs are not applied on fresh citrus fruit and citrus products but do apply to otherwise prepared or preserved fruits and juices. Separate calendars and tariffs apply to apples, pears, cherries, plums, and grapes. Fresh fruits generally make up the bulk of U.S. exports of fruits, although dried fruits, canned fruits, and juices are also important. Sweden purchased only 5,000 metric tons of citrus fruit from the United States in 1981. However, the United States has enjoyed a 15- to 20-percent share of the unsweetened concentrated and single-strength citrus juice market in recent years. The United States has maintained a relatively steady market share of 12 percent of the dried fruit market for several years, despite intense competition from Western Europe (particularly Italy and Spain), as well as from Morocco and Israel.

Lettuce, peppers, carrots, radishes, onion, and cabbage dominate vegetable imports from the United States. Import tariffs apply to wide range of vegetables but are generally relatively low.

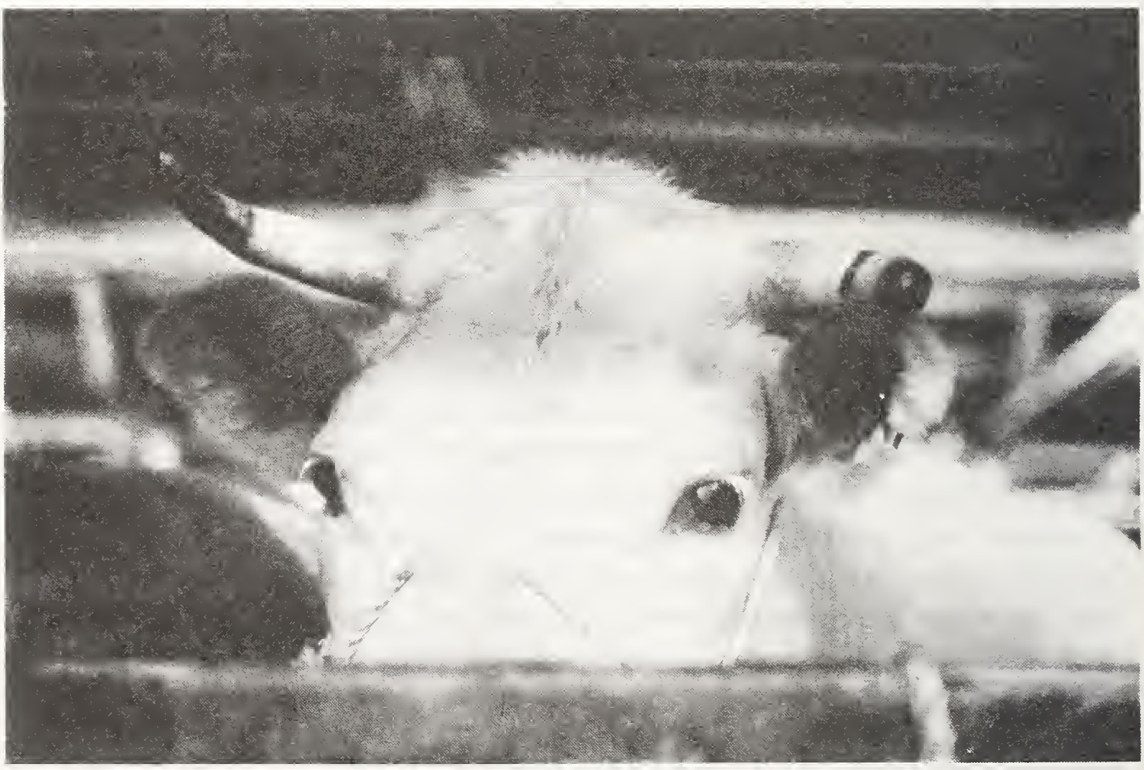
Sweden enjoys one of the world's highest levels of per capita Gross Domestic Product ($14,760 at 1981 prices) and a highly developed marketing system. Consequently, Sweden has been a natural environment for market promotion and development of fruits and vegetables by U.S. firms, advisory groups, and organizations working in cooperation with the U.S. Department of Agriculture. Nevertheless, market expansion for fruits and vegetables in the eighties will require more aggressive and imaginative sales efforts since competition will be keen. For example, the European Community benefits from its use of processing and marketing subsidies for a wide range of fruit and vegetable exports to Sweden and also enjoys tariff preferences on specific items of importance to the United States, like table grapes. Prices for fruits and vegetables are likely to remain relatively high, particularly if Sweden continues to favor a "high price line."

Furthermore, economic growth in Sweden is likely to remain sluggish for the next few years. Swedish Government forecasts indicate that annual growth rates in both real Gross National Product and total consumer expenditure are not likely to exceed 2 or 3 percent annually during 1982–85. The Swedish population is likely to continue to grow at relatively low rates during this period—close to the annual net increase in population of 0.7 percent during the seventies.

On the positive side, U.S. fruits and vegetables are likely to continue to find a viable market in Sweden, assuming prices remain competitive. A major factor, which will continue its favorable effect on consumption of fruits, vegetables, and nuts, is greater awareness of the relationships between food and health, and the expectation that the United States will continue to supply high-quality products.

Livestock

Expansion of the Swedish market for U.S. exports of red meats and poultry will be difficult because of rigorous sanitary and veterinary regulations as well as border protection. For example, beef products produced with the aid of growth hormones cannot be imported. In addition, there are stringent standards on all foodstuffs such as inspection for aflatoxin, pesticide residues, and food additives.



Lower supports under Sweden's new agricultural policy are aimed at reducing beef surpluses.

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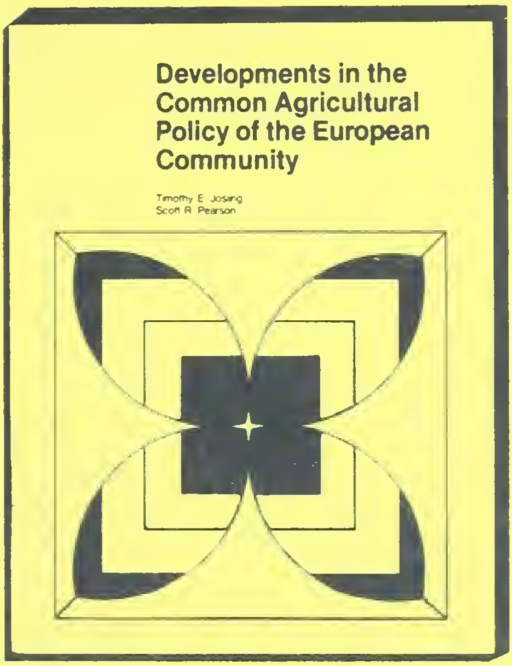
REDUCED AG SUBSIDIES IN EC IS GOOD NEWS FOR U.S.

The European Community will have to reduce its agricultural support programs and export subsidies in order to avert a budget crisis, according to a report by USDA's Economic Research Service.

EC expenditures already nearly exceed revenues, while the EC's farm program (CAP) expenditures, which account for nearly 70 percent of total EC expenditures, increase by 15-20 percent per year. The budget reductions are particularly necessary now to allow other programs to expand for the EC's two new members—Spain and Portugal.

Any reduction in the CAP's cost is good news to the U.S., since the EC's export subsidies will then decline as well. The U.S. welcomes such a change because reduced EC export subsidies will make U.S. exports more competitive—in the EC and in other countries.

The report examines how the CAP may evolve, derives potential price levels in various EC countries, and assesses the implications for trade with the U.S. and other countries.



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